MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BAC 1624 – MANAGEMENT ACCOUNTING 1

(All Section / Groups)

2ND JUNE 2017
9.00 AM – 12.00 PM
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 8 pages (excluding cover page) with 5 Questions only.
2. Answer **ALL** Questions. Each question carries 20 marks.
3. Please write your answers and workings in the Answer Booklet provided.

QUESTION 1

Recently, Celeb Designs Sdn. Bhd. expanded its market by becoming an original equipment supplier to Jeep Wrangler. Celeb Designs produces factory upgraded speakers specifically for Jeep Wrangler. The Kicker components and speaker cabinets are outsourced with assembly remaining in-house. Celeb Designs assemble the product by placing the speakers and other components in cabinets that define an audio package upgrade and that can be placed into the Jeep Wrangler, producing the desired factory-installed appearance. Speaker cabinets and associated Kicker components are added at the beginning of the assembly process.

Assume that Celeb Designs uses the FIFO in its process costing method. The following are costs and production data for the assembly process for April :

Production:

Units in process, April 1, 60% complete	60,000
Units completed and transferred out	150,000
Units in process, April 30th ,¼ complete	30,000

Costs:

Work in Process, April 1 :	
Cabinets	RM1,200,000
Kicker components	12,600,000
Conversion costs	5,400,000
Costs added during April:	
Cabinets	RM2,400,000
Kicker components	25,200,000
Conversion Costs	8,640,000

Required:

i. Compute the equivalent units of production for materials and conversion for assembly department.

(6 marks)

ii. Compute the cost per equivalent units for materials and conversion and the total unit manufacturing cost.
(Please round-up your answers to two decimal places)

(3 marks)

Continued...

iii. Compute the cost assigned to the unit transferred out from assembly department

(4 marks)

iv. Compute the cost assigned for the units in ending work in process.

(3 marks)

v. Explain the similarities and differences between job order cost and process cost systems

(4 marks)
(Total: 20 marks)

QUESTION 2

True Colours Manufacturing Sdn. Bhd. makes three main products, using broadly the same production methods and equipment for each. A conventional product costing system is used at present, although an activity-based costing (ABC) system is being considered. Details of the three products in June are as follows:

	Hours per unit		Materials per unit (RM)	Volumes (Units)
	Labour Hours	Machine unit		
Product X	0.5	1.5	20	750
Product Y	1.5	1	12	1,250
Product Z	1	3	25	7,000

Direct labour cost RM12 per hour and production overheads are absorbed on a machine hour basis. The rate for the period is RM56 per machine hour.

Further analysis shows that the total of production overheads can be divided as follows:

	(%)
Costs relating to set-ups	35
Costs relating to machinery	20
Costs relating to materials handling	15
Costs relating to inspection	30
Total production overhead	100

Continued...

The following activity volumes are associated with the product line for the period as a whole. Total activities for the period:

	Number of set-ups	Number of movements of materials	Number of inspections
Product X	75	12	150
Product Y	115	21	180
Product Z	480	87	670
Total	670	120	1,000

Required:

a) Compute the cost per unit for each product using traditional method.

(3 marks)

b) Compute the cost per unit for each product using ABC method.
(Please round all your answers to 2 decimal places)

(14 marks)

c) Comment if there are any differences in the costs in your answers in (a) and (b).

(3 marks)
(Total: 20 marks)

Continued...

QUESTION 3

Mariam and Jason are grown up and have decided to set up a CD hiring store called *Buckets*. In order to attract customers to hire CDs, it is required to have a creative business plan. The business is situated in a town centre and nearby the Central Business District.

The following are the plans that Mariam and Jason have thought of:

Plan 1

- Open from 5.30 pm to 10.30 pm.
- Rental Price = RM10.50 per video
- Copyright Fee per video = 20% of the video hiring fee
- A KFC takeaway token = RM2.50 each
- System Maintenance = RM0.50 per video hired.

Plan 2

- Open from 1 pm to 6 pm
- Rental Price = RM8.50 per video
- Copyright Fee per video = 20% of the video hiring fee
- A bottle of coke for free = RM1.20 each
- System Maintenance = RM0.50 per video hired.

Fixed Costs consist of:

- Rent of the building - RM50,000
- Wages - RM25,000 (15% lower if adopting Plan 2 because the worker is working in day time).
- Depreciation - RM4,500

Continued...

- Maintenance cost - RM10,110
- Parking Cost - RM5,000 (for Plan 2 only because there is no free parking space during day time).

Mariam and Jason expected 10,000 CDs would be hired out in the first year. However, they have not yet decided which plan should be adopted because each plan has its positive points and negative points.

Required

i. Compute the breakeven point in units (quantity) and in Ringgit Malaysia for Plan 1 & Plan 2.*(Please round-up your answers to the nearest units and Ringgit Malaysia)*

(13 marks)

ii. Compute the profit/loss for both plan based on the expected number of sales unit.

(5 marks)

iii. Compute the number of CDs need to be hired out in order to achieve RM30,000 profit under both plan and suggest to Mariam and Jason which plan should be adopted.

(2 marks)

(Total: 20 marks)

Continued...

QUESTION 4

PART A

Mesra Alam Sdn.Bhd. commences trading on 1st June with a capital of RM240,000. The following estimates have been made:

a) Plant and equipment costing RM160,000 will be purchased and installed prior to commencement of the business. The plant and equipment is payable in June and will be depreciated on a straight line basis over eight years with no expected disposal value.

b) On 1st June, an initial inventory of goods will be purchased for RM96,000 payable in July. All goods sold from 1st June will be replaced immediately. Purchases will be on two months credit.

c) Gross profit will be 33 1/3% on the cost of goods.

d) Forecast sales for the first three months are :

June RM92,000 ; July RM108,000 and August RM124,000

Sales is on credit payable in the month following the sales

e) Rent and rates, of RM32,000 for twelve months from 1st June is payable in July

f) Wages and other overheads commencing in June are estimated at RM24,000 per month. 50% will be paid in the month incurred with the balance payable in the following month.

Required

Prepare Cash Budget (in columnar form) from the month of June till August.

(11 marks)

Continued...

PART B

To'ki Engineering Company Sdn.Bhd. manufactures two products, product X and Y. It sales department has three divisions: West, South and East. Preliminary sales budget for the year ending 31st December 2018, based on the assessments of divisional executives are as follows:

Product X : West 40,000 units : South 100,000 units and East 20,000 units.
Product Y : West 60,000 units : South 800,000 units and East Nil
Sales Price : X : RM2 and Y : RM3 in all areas

Arrangements are made for the extensive advertising of Product X and Product Y and it is estimated that West Division sales will increase by 20,000 units. Arrangements are also made to advertise and distribute Product Y in the Eastern area in the second half of 2018 where sales are expected to be 100,000 units.

Since the estimated sales of South Division represented an unsatisfactory target, it is agreed to increase the estimates by 10% for both product.

Required

Prepare a Sales Budget for the year ended 31st December 2018.

(9 marks)
(Total:20 marks)

Continued...

QUESTION 5

Preston Company Sdn.Bhd. employs a standard cost system in which direct materials inventory is carried at standard cost. The company has established the following standards for the prime costs of one unit of product:

	Standard Quantity	Standard Price	Standard Cost
Direct labor	2.3 hours	RM44.00/hour	RM101.20
Direct materials	11.0 pounds	RM14.00/pound	RM154.00

During April, the company purchased 310,000 pounds of direct material at a total cost of RM4,386,500. The total factory wages for April were RM2,892,500, of which 90% was for direct labor. The company manufactured 26,000 units of product during April using 289,000 pounds of direct material and 58,500 direct labor hours.

Required:

(i) Compute material price variance

(3 marks)

(ii) Compute material quantity variance

(3 marks)

(iii) Compute labor price variance

(3 marks)

(iv) Compute labor quantity variance

(3 marks)

(v) Based on your answers in (i) to (iv) above, choose only one variance and explain the causes of favorable or unfavorable variance.

(3 marks)

(vi) Describe the balanced scorecard approach to performance evaluation.

(5 marks)

(Total: 20 marks)

End of Page.